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SUBJECT: ATOLL TRIP UNDERSCORES VULNERABILITY AND PROMISE
OF MALDIVES ECONOMIC DEVELOPMENT

Ref: Colombo 00360

Sensitive but Unclassified, please handle accordingly.

¶11. (SBU) Summary: Ambassador traveled with UNDP reps to Felidhoo Island in the Felidhe Atoll (the atoll just south of the South Male Atoll) on February 26. During a two-hour visit to the island, Ambassador was greeted by Maldives' only female Atoll Chief and saw local handicraft production, the village medical center, the school (K-10), a village-sponsored pre-school and the power station. The visit highlighted some of the issues Maldives has raised in its bid to delay graduation from LDC status in the UN. Nonetheless, the level of development on such a small island is also indicative of some of the more sophisticated policy and implementation mechanisms available to the country and the generally higher level of resources available for distribution than normally found in a lesser developed country. It is important that we continue to explain our position of a "two-year transition period" and show a commitment to helping Maldives navigate its post-LDC status. End Summary

¶12. (U) On February 26, UNDP Maldives office representatives hosted Ambassador Lunstead, other members of the Ambassador's family, conoff and econoff to a visit to Felidhoo Island, the capital of the Felidhe Atoll, just south of the South Male Atoll in Maldives (a two hour trip from Male by very fast speedboat, the 42 nautical mile trip can take up to 10 hours in the typical Maldivian Dhoni). Felidhoo has 526 inhabitants (169 under 16 years old). Maldives' only female Atoll Chief, Ms. Haseena Moosa, and members of her staff met the Ambassador and party and accompanied throughout the tour.

¶13. (U) As a result of its proximity to several resort islands, Felidhoo does receive some tourist attention, with tour groups visiting twice a week during the high tourist season (November-April). Some villagers make local handicrafts to sell during these visits. (Note: the GORM tries to keep contact between its all-Muslim population and tourists to a minimum. End note.)

¶14. (U) The school compound, a modern, well-built facility with clean rooms and at least three computers, houses a nicely appointed library and a single story building with classrooms. 152 students attend the school. In addition to Maldivians, the teaching staff includes one Sri Lankan and four Indian expatriates. The school is for grades K-10. Student who wish to complete their "advanced" level (London A levels, the equivalent of a US high school diploma) must attend classes either in Male or one of the other islands with an available school. All children on the island attend school (as one can see every place on the island from any one spot, truancy is not much of a problem). Twenty-five students are studying on other islands.

¶15. (U) The health clinic, which is slated for expansion into a hospital in the next year, is clean, modern and well equipped. The facilities included an examination room, a delivery room, laboratory and consultation office. The waiting room was stocked with information on health issues, much of which revolved around pre- and post-natal care. The doctor is an Indian expatriate who resides on the island. There are three nurses, one midwife, one family health worker and one community health worker.

¶16. (U) Three diesel generators supply power on the island. Power is extremely expensive, by the team's calculation the equivalent of about US\$ 0.33 per kilowatt-hour (in comparison, Sri Lanka is considered to have extremely high energy prices at US\$ 0.07 per kilowatt-hour). (Note: There would seem to be enormous wind and solar potential on the islands, and most new resorts use solar hot water tanks. To spur efforts on this front, the USG provided USAID-funded wind and solar maps to the GORM late last year. The GORM is using the information to lay the foundation for government and private sector efforts to extend their

renewable energy base. One US solar-power company and one US wind-power company are also pursuing viable opportunities. End note.)

17. (U) Almost all water is collected from rainfall in 66 public and private water tanks around the island. Other infrastructure includes a jetty, a mosque, the Atoll chief's office and the island office. There is no motorized transport on the island. The 77 bicycles are the second most prevalent means of transportation (after walking).

18. (U) The GORM provides small enterprise development loans through the Atoll Development Fund. In the last three years approximately 37 loans have been disbursed on Felidhoo. Loans average about Rufiya 50,000 (approximately USD 3,900) at 10 percent interest with a four-year term. Loans are primarily to be used for income generation. One loanee Ambassador met built a small retail shop adjacent to his home property. He sells various sundry items to the community and some tourist related products (t-shirts, local handicrafts, snacks and water-sport related products).

19. (SBU) The Island administration is financed by the GORM. The bulk of GORM revenues come from import duties. There is no personal income tax and no sales tax or VAT. There is also a recently imposed tourist tax of USD 10/night/bed. The school and the hospital, financed by the GORM, are examples of the Government's commitment to atoll development and efforts to distribute resources, though they have expressed concerns in the past about their ability to reach even more remote and less populated islands. The small size of the island population leaves a strong impression of the need for creative solutions to deal with the problem of serving a disparate population and creating sufficient employment opportunities to meet the demands of the next generation.

10. (SBU) Comment: In all, the visit provided a good perspective on the GORM's concerns about the lack of depth to the country's economy and validated its concerns over the potential graduation from LDC status. Socio-economic indicators in Maldives are at high-levels. However, the challenge and costs of bringing development to these far-flung islands are quite high. Felidhoo is an island that, in the Maldivian context, is close to Male, with a large population. The country stretches some 600 miles north to south and some islands have populations of 50 persons or less. According to UNICEF, access to proper nutrition and sanitation remains a key challenge. Almost 20% of babies are born with a low birth weight and 44% of children under five are classified as "underweight or wasting" (UN measures that indicate less-than-two and more-than-two standard deviations away from the median weight-for-age respectively).

11. (SBU) The visit also pointed to the considerable resources and talent that the GORM has to deal with this situation and its impending graduation. While there should be no illusion that Maldives will have smooth sailing after LDC graduation, they do have the resources and talent to deal with their problems effectively and through more appropriate mechanisms than the LDC framework. Nonetheless, we need to remain steadfast in our commitment to work with them to make the transition from LDC successful.

12. (SBU) The US two-year "transition period" idea remains unclear to the GORM. The GORM believes we see the two-year period as sufficient time to solidify their economic gains. We need to continue to reiterate that the two-year period provides time to negotiate and establish transition mechanisms with the various players (bilateral friends and donors, IFIs and UN agencies) who use LDC status as a prerequisite for assistance and/or preferential treatment. We should also be committed to helping Maldives pursue these transition mechanisms, as it is not in our interest to see Maldives, or any other LDC graduate, only to slip back into LDC status at some later point. End comment.
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